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Sun Microsystems, Inc.
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12 **UNITED STATES BANKRUPTCY COURT**
13 **SOUTHERN DISTRICT OF NEW YORK**
14

15 In re
16 DELPHI CORPORATION, et al.,
17 Debtors.
18

Chapter 11 Case No. 05-44481
(Jointly Administered)

19 **OBJECTION OF SUN MICROSYSTEMS, INC.**
20 **TO MOTION TO ASSUME EXECUTORY CONTRACT (MobilAria Sale Motion)**

21 Sun Microsystems, Inc. ("Sun"), a creditor and party-in-interest in the above-captioned
22 Chapter 11 case, objects to the motion of Delphi Corporation and its subsidiaries including
23 MobileAria, Inc. (hereinafter collectively referred to as the "Debtors") that seeks authority to sell
24 substantially all of the assets of MobileAria, Inc. (the "MobileAria Sale Motion") to the extent such
25 motion seeks to either (i) assume and assign any executory contract between Sun and the
26 Debtors or (ii) assign any license of Sun's intellectual property.
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2 **I. The MobileAria Sale Motion and the Notices Concerning Assumption**

3 The Mobile Aria Sale Motion seeks authority to assume and assign to the purchaser of the
4 MobileAria assets various executory contracts which are to be identified by separate notice. Sun
5 received two notices with respect to the assumption of executory contracts:

- 6 • a Notice of Assumption and/or Assignment of Executory Contract or
7 Unexpired Lease dated June 26, 2006 (the "Assumption Notice"); and
- 8 • a Notice of Cure Amount with Respect to Executory contract or Unexpired
9 Lease to be Assumed and/or Assigned (the "Cure Notice").

10 Each of the Assumption Notice and the Cure Notice state that the Debtors seek to assign
11 the contracts listed in Exhibit 1. Exhibit 1 to the Assumption Notice lists Sun and simply refers to
12 "Java software". Exhibit 1 to the Cure Notice does the same and indicates a cure amount of
13 \$0.00.

14 **II. Grounds of Sun's Objection**

15 Sun objects to entry of an order approving the assumption or assignment of any executory
16 contract with Sun on grounds that the MobileAria Sale Motion and the Assumption and Cure
17 Notices fail to identify any contract with a degree of specificity so as to enable Sun to identify the
18 contract or contracts potentially falling within the scope of the Debtor's requested relief. Further,
19 if in fact the Debtors are seeking to assume and assign a contract under which Sun licenses its
20 copyrighted software to the Debtors, Sun's express consent is necessary for any such
21 assumption and assignment, and Sun has not given such consent.

22 **III. Argument**

23 **A. Failure To Adequately Identify Contracts Violates Due Process.**

24 Before a party's interests may be adversely affected by judicial action, the due process
25 clause of the Fifth Amendment to the United States Constitution requires "notice be reasonably
26 calculated, under all the circumstances, to apprise interested parties of the pendency of the
27 action ..." and to afford them an opportunity to present their objections. See *City of N.Y. v. New*
28 *York, N.H. & H. R.R. Co.*, 344 U.S. 293, 297, 73 S.Ct. 299, 301, 97 L.Ed. 333 (1953) (a

1 reasonable opportunity to be heard must precede judicial denial of a party's claimed rights); *U.S.*
2 *v. Security Indus. Bank*, 459 U.S. 70, 75, 103 S.Ct. 407, 410, 74 L.Ed2d 235 (1982) (Bankruptcy
3 proceedings are subject to the fifth amendment); *Owens-Corning Fiberglas Corp. v. Center*
4 *Wholesale, Inc. (In re Center Wholesale, Inc.)*, 759 F.2d 1440, 1448 (9th Cir. 1985) *citing Mullane*
5 *v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314, 70 S.Ct. 652, 657, 94 L.Ed. 865 (1950).
6 *Accord, In re Golden Books*, 269 B.R. 300, 305 (Bankr. D. Del. 2001) (Notice of a motion seeking
7 authority to assume and assign executory contracts, including licenses of intellectual property, is
8 governed by Federal Rule of Bankruptcy Procedure 6006(a)).

9 None of the MobileAria Sale Motion, the Assumption Notice, the Cure Notice, or other
10 pleadings served on Sun adequately identify the executory contracts that the Debtors seek to
11 assume and assign: the Debtors fail to identify any contract with Sun by contract name, contract
12 number (Sun's contracts frequently have a number assigned to them), date, or the purchase
13 order associated with the contract. Indeed, it is not clear that the executory contracts to be
14 assigned are contracts between Sun and MobileAria or one of the other Debtors. Without such
15 critical information, Sun cannot determine all of the grounds (if any) barring assumption of such
16 contracts, or whether the Debtors have complied with the mandates governing assumption and
17 assignment of executory contracts as set forth in Section 365(b), (c) and (f) of the Bankruptcy
18 Code. Sun submits that entry of an order authorizing and approving the assumption of contracts
19 with Sun, without first requiring the Debtors to identify the specific contract or contracts at issue,
20 denies Sun a meaningful opportunity to be heard on the issue whether any executory contracts to
21 which it is a party may be assumed and assigned by the Debtors.

22 **B. An Executory Contract Comprised of or Incorporating a License to Use**
23 **Sun's Copyrighted Software Cannot Be Assumed or Assigned Without Sun's Consent.**

24 Sun is the owner of certain computer software, including software collectively referred to
25 as the "Java" software. The Java software is subject to copyright protection under Title 17 of the
26 United States Code. Under various of its agreements and contracts with its customers, Sun
27 grants the customer a non-exclusive license to utilize the Java software for the purposes
28 specified in the contract. While the Debtors' failure to identify the relevant contracts with the

1 requisite specificity makes is impossible to verify, it appears that the Debtors seek to assume and
2 assign contracts pursuant to which Sun has licensed the Java software to one of the Debtors.

3 Generally, courts have concluded that "intellectual property licenses [are] 'executory'
4 within the meaning of section 365(c) because each party to the license had the material duty of
5 'refraining from suing the other for infringement of any of the [intellectual property] covered by the
6 license ...' " *In re Golden Books*, 269 B.R. 300, 309 (Bankr. D. Del. 2001) *quoting In re Access*
7 *Beyond Tech., Inc.*, 237 B.R. 32 (Bankr. D. Del. 1999). Accordingly, a debtor in possession
8 cannot assume such contracts except if the debtor complies with the assumption requirements
9 set forth in 11 U.S.C. §365. See, e.g., *In re Patient Education Media, Inc.*, 210 B.R. 237, 242
10 (Bankr. S.D. N.Y. 1997); *Perlman v. Catapult Entertainment, Inc.* (*In re Catapult Entertainment,*
11 *Inc.*, 165 F.3d 199, *cert. denied*, 120 S.Ct. 369 (1999); *Everex Systems, Inc. V. Cadtrak Corp.* (*In*
12 *re CFLC, Inc.*, 89 F.3d 673, 677 (9th Cir. 1996) (nonexclusive license is an executory contract);
13 *Fenix Cattle Co. v. Silver* (*In re Select-A-Seed Corp.*), 625 F.2d 290, 292, (9th Cir. 1990)
14 (copyright license for use of computer software is an executory contract); *In re Golden Books*,
15 *supra*; *In re Access Beyond Tech., Inc.*, *supra*.

16 Assuming the executory contracts sought to be assumed by the Debtors includes a
17 license from Sun to use the Java software, such contract constitutes an executory contract
18 because the license of the Java software imposes on-going obligations on the parts of both Sun
19 and the applicable Debtor. Sun, for its part, must permit the continued use of the Java software
20 according to the terms of the license and the Debtor must limit its use to those uses permitted.
21 Therefore, assuming the relevant contracts include a license, these contracts constitute executory
22 contracts within the meaning of 11 U.S.C. §365 and the Debtors are not permitted to assume or
23 assign such contract unless they comply with the mandatory requirements imposed by 11 U.S.C.
24 §365(b) and (c)(1).

25 Under Title 17 of the United States Code (the "Copyright Act") and federal common law
26 pertaining to copyrights, a copyright owner (such as Sun in this instance) does not have to
27 consent to the assignment of any license of that copyrighted material -- the Java software -- to
28 any third party. See *In re Patient Education Media, Inc.*, 210 B.R. at 241 (copyright license) *citing*

1 *In re CFLC, Inc.*, 89 F.3d at 679. See also *Harris v. Enus Records Corp.*, 734 F.2d 1329, 1333-
2 34 (9th Cir. 1984) (copyright licenses are not transferable without the licensor's consent); *Sol*
3 *Solutions, Inc. v. Oracle Corp.*, 1991 WL 626458 at 5 (N.D. Cal., December 18, 1991) (*quoting*
4 17 U.S.C. §102) (software license that explicitly reserves all copyrights and other ownership
5 rights to the licensor cannot to any such request). Pursuant to 11 U.S.C. §365(c)(1), a debtor in
6 possession may not assign a non-exclusive license in a copyright absent the consent of the
7 owner of that patent or copyright. See *In re Patient Education Media, Inc.*, *supra*; *In re Golden*
8 *Books, supra*; *In re Access Beyond Tech., Inc.*, *supra*. As previously stated, Sun has not and
9 does not hereby consent to the assumption of any contract under which it has licensed the right
10 to use the Java software to any of the Debtors.

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IV. Conclusion

The Debtors have failed to provide sufficient information to permit either Sun or the Court to determine the specific contracts with Sun that the Debtors seek to assume and assign. Further, to the extent that the Debtors seek to assign contracts under which Sun has licensed rights to utilize its copyrighted Java software, the Debtors are precluded from assuming or assigning such contracts without Sun's express consent, and Sun has not given such express consent. For the foregoing reasons, Sun respectfully submits that the Debtors' request for approval of the assumption and assignment of any executory contract to which Sun is a party be denied.

Dated: June 30, 2006

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